



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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DR. KENNETH M. STONE, CPA
Internal Audit Executive

July 19, 2011

David Neighbors, Associational Coordinator
St. Louis World Changers
5807 Delor
St. Louis, MO 63109

RE: St. Louis World Changers (Project #2011-AHC09)

Dear Mr. Neighbors:

Enclosed is a report of the fiscal monitoring review of St. Louis World Changers for the period July 1, 2010 through April 30, 2011. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of St. Louis World Changers. Fieldwork was completed on May 27, 2011.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the Affordable Housing Commission (AHC) to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Angela Morton Conley, Executive Director - Affordable Housing Commission
Karen Moore, Agency Representative - St. Louis World Changers



CITY OF ST. LOUIS

AFFORDABLE HOUSING COMMISSION (AHC)

**ST. LOUIS WORLD CHANGERS
CONTRACT #15-10G**

**FISCAL MONITORING REVIEW
JULY 1, 2010 THROUGH APRIL 30, 2011**

PROJECT #2011-AHC09

DATE ISSUED: JULY 19, 2011

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
AFFORDABLE HOUSING COMMISSION (AHC)
ST. LOUIS WORLD CHANGERS
FISCAL MONITORING REVIEW
JULY 1, 2010 THROUGH APRIL 30, 2011**

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INTRODUCTION

Background

Contract Name: St. Louis World Changers

Contract Numbers: 15-10G

Contract Periods: July 1, 2010 through April 30, 2011

Contract Amount: \$45,000

The contract provided funds from Affordable Housing Commission (AHC) to St. Louis World Changers (Agency) for home repairs to low income and disabled homeowners throughout the City. The program allows for individuals at or below 80% St. Louis City area median income to occupy their homes and improve the overall stability and vitality of the communities in which they live.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state, and local AHC requirements for the period July 1, 2010 through April 30, 2011, and make recommendations for improvements, as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grant administered by AHC. Evidence supporting the reports the Agency submitted was tested and other procedures were performed, as considered necessary.

Exit Conference

An exit conference was conducted with the Agency on July 6, 2011. The Agency was represented at the exit conference by Karen Moore, Agency Representative, David Neighbors, Associational Coordinator, and Janet Pitt, Treasurer. The Internal Audit Section was represented by David Lenza, Auditor I and Dorothy Middleton, Auditor II.

Management's Responses

Management's responses to the observations and recommendations identified in the draft report was received from the Agency on July 13, 2011. These responses have been incorporated into the report.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with local AHC requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report, Project #2007-AHC8, issued April 13, 2007, contained the following observation:

- The Agency did not submit all quarterly reports (**Resolved**)

Summary of Current Observations

Recommendations were made for the following observation, which if implemented, could assist the Agency in fully complying with local AHC requirements.

- Failure to request reimbursements for only allowable cost (questioned cost \$3,166.02)

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

Request Reimbursements For Only Allowable Cost (Questioned Cost \$3,166.02)

IAS reviewed the Agency's reimbursement requests and financial records for July and August 2010, to determine whether costs reimbursed were allowable under the terms of the contract and actually paid. The review of the July invoices revealed questionable costs totaling \$3,093.91 for liquid refreshments, water bottles, ice, and sales taxes of \$72.11. These expenses were not allowable under the terms of the contract.

The contract allowed for funds for necessary construction materials, supplies and equipment. Sales taxes were not allowable due to the Agency's 501(c) tax-exempt status and all invoices should be reviewed to ensure taxes are not charged prior to payment.

The Agency stated that it was informed by AHC that refreshments including water bottles expenditures would be considered construction related costs. However, the Agency could not provide any documentation of the agreement. The payment of taxes appears to be an oversight during the review of the invoice. IAS was informed that two reviews of the invoices were performed; however, the reviews were not documented.

Section 6 of the contract required changes that were mutually agreed to by both the AHC and the Agency be incorporated as written amendments to the agreement. The Agency risks termination of the contract and repayment of funds not used in accordance with the terms of the contract.

Recommendations

It is recommended that the Agency comply with the provisions of the contract and implement controls to ensure only allowable costs are requested for reimbursement. IAS also recommends that the Agency:

- Discuss with AHC and shift future costs for refreshments to other sources of funding
- Document in writing all agreed upon changes to the contract
- Document reviews of the invoices with the reviewer's initials, or the invoices are stamped as okay to pay

Management's Responses

Cooling items such as ice, Gatorade and water bottles, used on construction site only, were expensed and have been expensed as a construction cost since the relationship with Affordable Housing began. The items in question were listed and clearly identifiable on a spreadsheet provided to Affordable Housing for reimbursement and were not questioned or rejected at any time during the reimbursement process. No written documentation of provision of cooling items being covered under the contract exists in detailed form as it was not deemed necessary by either party in the

Continued

agreement. Of note is that we have complied with audits in the past and these costs have never been questioned as being outside of our contract, so again, there was no reason for this agency to question the need for a written amendment to our contract as we believed and acted in good faith that these costs were reasonable, customary, reimbursable and allowable under our current contract wording. Also of note, these are not categorized as refreshments but are a necessary, health and safety requirement of providing construction workers to safely operate on roofs in the high heat and humidity of St. Louis in July. Additionally, we were contacted by Affordable Housing and notified that as a result of the interpretation of Contract 15-10G by this auditor and findings of this audit, Affordable Housing would no longer reimburse for these items under our current contract 16-11G. As this is now stated, this Agency will not request reimbursement for these items under our current contract (16-11G).

Of the 117 separate line items covering multiple individual receipts and items, only one receipt could be found that had sales tax paid on the receipt, which was in the amount of \$72.11. As has been stated in our policy and procedure, all invoices are reviewed by two persons with the subsequent checks requiring two signatures for payment. This particular item had sales tax included, was not an invoice but rather a receipt that was paid at point of service. As a result of the recommendations of this auditor, a signature or stamp will be placed on the items clearly identifying that the review by two persons has been completed prior to payment on invoices. For items which are receipted at point of service a review will be conducted in a similar process to capture any errant taxes. The item in question was listed and clearly identifiable on a spreadsheet provided to Affordable Housing for reimbursement and was not questioned or rejected at any time during the reimbursement process.